

1 Q. ARE YOU THE SAME SHARON G. SCOTT THAT PREVIOUSLY FILED
2 TESTIMONY IN THIS CASE?

3 A. Yes, I am.

4 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

5 A. The purpose of my surrebuttal testimony is to address
6 the issues of cash working capital and accrued interest
7 on customer deposits presented by the Company.

8 Q. WHY DOES THE STAFF COMPUTE THE CASH WORKING CAPITAL
9 ADJUSTMENT USING ONLY CORRECTING ENTRIES TO THE BOOK
10 NUMBERS INSTEAD OF ACCOUNTING AND PRO FORMA ADJUSTMENTS?

11 The Staff computed the cash working capital allowance
12 using per book operating and maintenance expenses less
13 purchased power and burned nuclear fuel costs. These
14 are actual expenditures for which the company uses
15 working capital to cover. Since Staff uses a pure per
16 book basis to make the adjustment, only those expenses
17 which correct the per book amounts are considered for
18 the working capital adjustment. The Staff does not
19 compute cash working capital on pro forma adjustments
20 because the timing of cash outlays is not always as
21 clear cut for pro forma adjustments. For example, the
22 adjustment to levelize major maintenance costs contains
23 known and measurable changes to expenses but the exact

1 timing of such payouts has not been determined. The
2 Staff used the methodology of adjusting cash working
3 capital to reflect the adjustments which correct the
4 books in the past three (3) SCE&G rate proceedings and
5 this methodology was approved by the Commission in those
6 proceedings and in numerous other proceedings involving
7 other companies. For the reasons stated above, the
8 methodology is also appropriate in this proceeding. For
9 settlement purposes, this issue would be resolved if the
10 agreement between the Staff and Company is accepted.

11 **Q. WHAT AMOUNT DID THE STAFF USE TO ADJUST ACCRUED INTEREST**
12 **ON CUSTOMER DEPOSITS AND WHY WAS THIS ADJUSTMENT MADE?**

13 A. The Staff proposed to reduce rate base for accrued
14 interest on customer deposits of \$1,582,000 using the
15 account balance at the end of the test year. This
16 adjustment was made since accrued interest on customer
17 deposits is cost-free capital to the Company. The
18 account balance represents amounts owed to customers at
19 the end of the test year. The Staff used customer
20 deposits at the end of the test year in the computation
21 of the Company's rate base, and not the amount as of
22 September 30, 2004. Therefore, the Staff's adjustment
23 is consistent with the test year used in this case. In

1 addition, the Staff annualized interest on customers'
2 deposits at the end of the test year using the currently
3 approved Commission interest rate for such deposits. As
4 of January 1, 2004, the Commission lowered the required
5 percentage for interest on customer deposits to 3.5%.
6 Staff made an adjustment to decrease interest on
7 customer deposits by \$607,000 and a corresponding
8 adjustment to increase rate base by \$607,000 to reflect
9 the reduction in the interest factor. Such adjustment
10 reflects the fact that accrued interest will be less in
11 the future due to the reduction in interest rates.
12 Therefore the net effect on rate base for interest on
13 customer deposits is (\$975,000). For settlement
14 purposes, this issue would be resolved if the agreement
15 between the Staff and Company is accepted.

16 **Q. MS. SCOTT, DOES THIS CONCLUDE YOUR SURREBUTTAL**
17 **TESTIMONY?**

18 **A. Yes, it does.**